

November 20, 2004

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OFFICE OF THE SECRETARY

Ms. Jennifer J. Johnson
Secretary Board of Governors of Federal Reserve System
20th Street Constitution Avenue
N.W. 20551

Dear Ms. Johnson:

I recently came across the request for information regarding the FAST Act of 2003. As an expert (subject matter) in this field, I wanted to provide you with the information that you requested. My objective is to provide the Board with recommendations and changes that need to be made to help combat identity theft and to introduce new ways to improve the credit dispute resolution process.

First a little background on my experience in this field. In 1981 while working as a Security and Operational Auditor for TRW Information Services (known today as Experian), I uncovered the first case of identity theft that occurred within a Credit-Reporting Agency (CRA). I spent 18 months working with the Federal Bureau of Investigation and Los Angeles Police Department on an identity theft case, a significant amount of my time was spent helping law enforcement with awareness and education on how this crime was occurring. Fast forward 23 years and today in 2004, "Identity Theft" is considered as one of the top 10 crimes in the United States.

I am not surprised that "Identity Theft" has increased in magnitude and am encouraged that the Board is seeking recommendations on how to improve the credit dispute resolution process. I wish that this was a priority 20 years ago so we would not be faced with this problem in our country today. That is why I felt I needed to provide you with my recommendations on this subject matter.

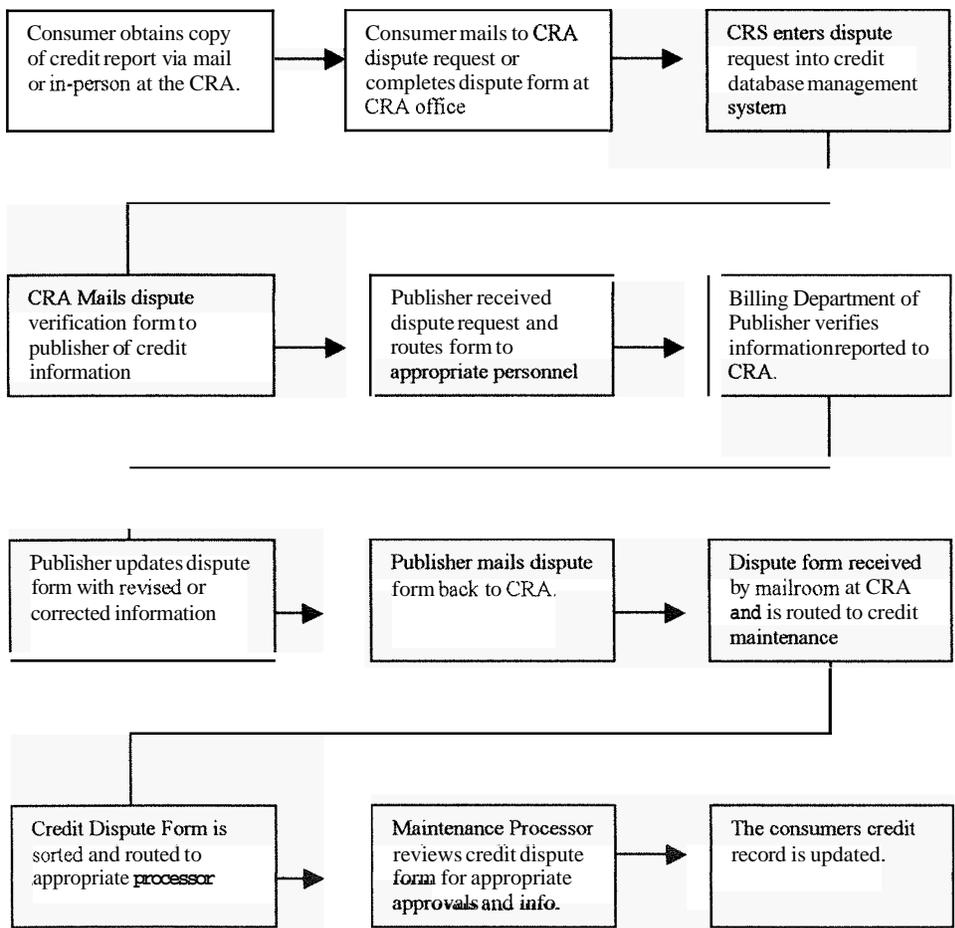
Recommendation 1: Reduce the dispute resolution process time frame to 7 days

The first recommendation is to modify the Fair Credit Reporting Act, which allows 30 days to complete a dispute resolution. This was the same time frame that publishers of credit information and credit reporting agencies had in 1980. In the 1970's and 1980's the process of reporting credit information on consumers was primarily exchanged via magnetic tape on a monthly basis. Today in 2004, the publishers of credit information and the CRA's utilize high-powered computer technology and have the capability to report information in "near real time status" using a "direct transmission connection". Magnetic tapes and the disk drives that the credit data was stored in have been replaced with large scale mass data storage systems and new high speed communication software.

There is no reason why this same technology cannot be used **to** manage the dispute resolution process. In fact, consumers today can initiate the process of a dispute on the web site **of** the CRA, which then can be automatically sent to the publisher. Business Process Management (BPM) technology provides the capability to monitor the response time of the publisher and to initiate alerts if action is not occurring.

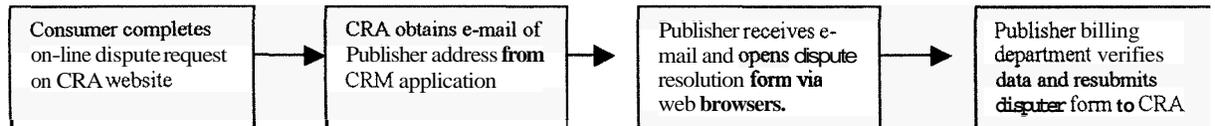
A 30-day dispute resolution process was adequate thirty years ago when the process was manual and involved using the US Mail, however, with the emergence of the Internet and use of E-Mail, adjustments to the 30-day time frame are warranted. **An** example of the dispute resolution processes comparing the process used in 1980 and the potential of how it could be changed in 2004 is shown below:

The Dispute Resolution Process in the 1970's and 1980's



30 day dispute resolution process time frame

Today, consumers have the capability to initiate a dispute request on the web site of the CRA. Publishers and CRA's use sophisticated computerized systems to manage their business processes such as on-line dispute requests, consumers can; obtain on-line account statuses from a publisher, and initiate electronic payments. A more reasonable dispute resolution process should occur in 7 days using the new communication technology which is in place along with the capabilities of Internet computing.



7 Day Dispute Resolution Time frame

It is likely today that the CRA's are using this **type** of process today with large publishers of information who also have a high volume of dispute transactions, however, smaller companies who do not have high-powered computer systems can also use the above process as long as they have a web browser and Internet account. CRA's should be required to provide all publishers with access to the "Automated Dispute Management Application."

Summary of Recommendation:

- Reduce the time frame from 30 days to 7 days to complete the dispute resolution process.
- As part of the service agreement with a CRA a publisher should be required to use the automated dispute resolution process.

Recommendation 2 – How to Increase Accuracy of Credit Information

A cycle time standard should be established for Publishers of credit information. Most publishers still only report information to CRA's on a monthly basis. Publishers should be required to report information on a weekly basis at a minimum to improve the timeliness and accuracy of the information stored in the consumer credit database. As stated in Recommendation 1, the Publishers have the technology to change their reporting processes; they need to be required to use it. CRA's should be required to update their systems on a daily basis.

Recommendation 3 – Combating Identity Theft

Combating identity theft starts with awareness. It has been reported that 80 percent of the consumers in the United States have never even reviewed their credit report. Consumers now have the right to obtain a free copy of their credit report from the 3 largest CRA's,

however, CRA's are using this new law to primarily resell their value added services. Commencing on December 1, 2004, Consumers in the west can receive a free copy of their credit report, however if you review Experian's web site, www.experian.com, there is no mention of the new law. CRA's should be required to:

1. Publish on their web site information regarding the new rights of consumers.
2. Allow consumers to order their free credit report on the web site. This capability exists today however, a fee is charged to the consumer. Experian reports that the free credit reports would have to be requested via letter and US Mail.
3. CRA's should provide a consumer user guide which explains how information is stored and reported on them.
4. Publishers and CRA's should be required to participate in a "Credit Awareness Week" with an objective to help expand overall awareness on the credit reporting process. Banks, lenders, etc. should participate in helping consumers become more aware of the credit reporting process and the risks of identity theft.

Recommendation 4 – Regulations on Credit Scores

CRA's should not be allowed to market their own proprietary credit scores to consumers. Experian for example markets a "Plus Score" which is not used by any lending institution for credit granting in the United States. The primary score that is used is the FICO score; CRA's by promoting their own score only will confuse consumers and will require them to pay for information, which is useless.

Recommendation 5 – Place tighter control over Collection Agencies

Collection Agencies which specialize in the collecting past due amounts from consumers regarding medical related expenses should be regulated. At a minimum, collection agencies should not be allowed to report insignificant amounts such as less than \$100 to a CRA. The majority of these cases are typically attributed to a failure of an Insurance Company to settle a medical claim with a medical provider. A secondary problem with collection agencies is that they use a collection tactic of telling the consumer that if they pay the debt, the collection agency will delete the information from the CRA. Regulations over how collection agencies report to CRA's should be improved.

Thank you for taking the time to review my recommendations, if I can be of any further assistance you contact me at (949-378-6027) or reach me via e-mail at Paul_Garino@yahoo.com.

Sincerely,



Paul Garino